

**BY ORDER OF THE COMMANDER  
AEROSPACE MAINTENANCE AND  
REGENERATION CENTER**



**AMARC INSTRUCTION 65-301**

**15 SEPTEMBER 1998**

**Financial Management**

**AUDITOR VISITS AND REPORTS**

**COMPLIANCE WITH THIS PUBLICATION IS MANDATORY**

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This instruction implements Air Force Policy Directive 65-3, *Internal Auditing*, and 65-403, *Follow-up on Internal Air Force Audit Report and Liaison External Audit Organizations*. It establishes responsibilities and procedures for the control and reporting of Air Force Audit Agency (AFAA) visits and reports as applicable to the Aircraft Management (LA), Logistics (LG), Comptroller (FM) and Plans and Programs (XP) Directorates.

**SUMMARY OF CHANGES:** Changes office symbols and adds office responsibilities for the Plans and Programs (XP) Directorate.

**1. GENERAL .**

- 1.1. The audits at AMARC are made by personnel assigned to the Air Force Audit Agency (AFAA) resident office, a detachment of HQ AFAA, Washington, DC.
- 1.2. AMARC is considered an installation-level organization for receipt and compliance with AFAA issued audits.
- 1.3. AFI 65-301, *Audit Reporting Procedures*, contains the procedures and requirements for report response. Those pertinent to AMARC are as follows:
  - 1.3.1. The AFAA will issue audits as unnumbered initial draft reports. They will include findings, recommendations, and a schedule of potential monetary benefits (PMB) that, in the auditor's opinion, will accrue over a 6-year budget period by implementing recommendations made in the draft report. (Audit reports that have no recommendations or PMBs do not require a reply.)
  - 1.3.2. On receipt of the AMARC response (paragraph 3), the AFAA will send out a final report, normally within 10 days, which includes management comments and the auditor's evaluation of

these comments. They will selectively follow-up on audits to see if corrective management actions for significant deficiencies have been taken and remain corrected.

1.3.3. Initial replies, internal progress reports, and status reports concerning deficiencies identified in audit reports must be processed within the specified timeframe (paragraph 3.3.2).

1.3.4. Audits will not be closed until actual completion of all corrective actions. Directors and division chiefs will make sure that dates stated for action completions are met.

## **2. RESPONSIBILITIES AND PROCEDURES.**

2.1. The AMARC Auditor Activity Monitor and alternate will reside in the Plans and Programs Division (XPX).

2.1.1. Act as liaison between the AFAA and AMARC organizations.

2.1.2. Review drafts of audit reports and take the following actions as required:

2.1.2.1. Arrange for the resident auditor to brief the AMARC Commander (CC) and/or Executive Director (CD) and concerned key personnel, if necessary.

2.1.2.2. Identify the office of primary responsibility (OPR) and office of collateral responsibility (OCR), at directorate and division level responsible for response to the audit report.

2.1.3. Setup suspense dates for initial reply and follow-up status reports. The initial reply is due to AFAA within 30 days after receipt of the draft audit report. The internal progress report must be sent through the Plans and Programs Division (XPX) to AMARC/CD within 35 days after the initial reply. The follow-up status reports will be sent to HQ AFMC/FMPI and AFAA as open corrective actions are completed. Process audit replies through CD for approval and signature.

2.2. Each director and division chief will appoint an audit activity monitor and alternate to process reports of audit and subsequent replies for which they are OPR.

2.3. The directorate and division audit activity monitors or alternates will:

2.3.1. On receipt of a draft audit report, contact designated OCR monitors at once and tell them of their need and the target date. The OPR must send a response to XPX within 20 days to allow time for CD review and for any changes, if needed, before the response is sent to AFAA.

2.3.2. Prepare replies to draft audit reports in accordance with (IAW) the format (attachment 1) and as follows:

2.3.2.1. Initial replies:

2.3.2.1.1. Management comments will be preceded by a statement indicating concurrence or nonconcurrence with each finding and recommendation. This will be followed by a clear, concise narrative of corrective actions taken or proposed, with actual completion dates or an estimated target date for completion of each action. All planned actions must have estimated completion dates and, if applicable, suspense dates for completion of major segments of those actions.

2.3.2.1.2. During development of written responses, disagreements that were not raised previously must be discussed with the auditor for possible resolution within the suspense period allowed before the report response is due. Management responses must include rationale for any non-concurrence with findings, recommendations, or potential monetary

benefits.

2.3.2.1.3. The OPR and OCR may agree with the intent of a recommendation, but propose an alternate way to accomplish corrective action.

2.3.2.1.4. If the auditor considered management's proposed actions nonresponsive or insufficient to correct identified problems, these nonconcurrences or disagreements between the auditor and managers must be resolved or elevated to the MAJCOM level and reported IAW AFI 65-403. Those not resolved will be included in status reports (RCS: DD-IG(SA)1574, *Follow-up Status Report*) submitted by AFAA and AMARC OPR at 6-month intervals.

2.3.2.2. Internal progress reports, to advise the command section of progress to date, will be sent to XPX and CD, IN TURN and are due 35 days after submission of the initial reply.

2.3.2.3. Status reports will be used to tell HQ AFMC/FMPI and the AFAA Resident Auditor that all open corrective actions on audit recommendations have been completed. The notification must include the amount of monetary benefits achieved or anticipated by these corrective actions. (See AFI 65-301 for required formats.)

2.3.3. In rare cases when the established suspense date cannot be met, call the AMARC Auditor Activity Monitor to make suitable arrangements.

2.3.4. Maintain follow-up action on all incomplete actions for which their organization is the OPR.

**3. COMMANDER'S AUDIT PROGRAM .** The AMARC Commander may request an internal audit. These audits will be conducted by AFAA as their time schedule permits.

3.1. All reports and responses under this program are requested and processed internally. Off-base reporting is not performed unless directed by the command section.

3.2. Initial reply and progress and follow-up reports will be addressed to XPX, CD, IN TURN and using the same procedure and format as specified for other Reports of Audit.

OFFICIAL

SANDRA WHITEHOUSE  
Chief, Information and Publications Branch

**Attachment 1****INITIAL AUDIT REPLY FORMAT FOR AFMC FIELD ACTIVITIES****USE AMARC LETTERHEAD**

MEMORANDUM FOR AFAA AUDIT OFFICE

5345 E. MADERA STREET

DAVIS-MONTHAN AFB AZ 85707-4928

FROM: AMARC/CD

4820 S. Wickenburg Avenue

Davis-Monthan AFB AZ 85707-4332

SUBJECT: Report of Audit 209950XX, Review of Property, Plan, and Equipment–Uninstalled  
Engines, Fiscal Year 1994 Financial Statements, Aerospace Maintenance and  
Regeneration Center (AMARC), Davis-Monthan AFB AZ 85707-4332  
(Project 94209044)

1. Introduction: Noted
2. Objective: Noted
3. Overall Evaluation: Noted
4. Financial Reporting for Uninstalled Engines: Noted
  - a. Background: Noted
  - b. Findings: Concur
  - c. Audit comment: Concur

d. Recommendations:

(1) Recommendation 1: Concur

(2) Recommendation 2: Concur

e. Management comments:

Recommendation 1 (Para 4d(1)). The remaining uninstalled J-57 engines will be dropped from the CEMS inventory by transferring them to the 1M2191 account used for excess and surplus property. (OPEN)

(ECD: 31 April 1995)

Recommendation 2 (Para 4d(2)). Procedures have been developed for coordination with item managers to report excess engines and transfer excess engines in CEMS from the FJ2373 account to 1M2191 account. (CLOSED 27 Jan 95)

5. Financial reporting for condemned engines: Noted

a. Background: Noted

b. Findings: Concur

c. Audit commend: Concur

6. Overstated Engine Inventory:

a. Background: Noted

b. Finding: Concur

c. Recommendation:

(1) Recommendation 3: Concur

(2) Recommendation 4: Concur

d. Management comments:

Recommendation 3 (Para 6c(1)). All the 546 installed engines were dropped from the CEMS inventory and transferred to the 1M2191 account. (CLOSED 18 January 1995)

Recommendation 4 (Para 6c(2)). Procedures are being established for report listing all excess engines installed on aircraft transferred to the excess and surplus account be provided to the engine manager at the end of the month. (OPEN) (ECD: 24 May 1995)

7. Evaluation of Management Comments: Noted.

RALPH T. SCHONEMAN

Executive Director

SAMPLE ONLY

**Attachment 2**

**FOLLOW-UP AUDIT REPLY FORMAT FOR AFMC FIELD ACTIVITIES**

**SAMPLE ONLY**

**USE AMARC LETTERHEAD**

MEMORANDUM FOR HQ AFMC/FMPI

4375 CHIDLAW RD, STE 6  
WRIGHT-PATTERSON AFB OH 45433-5006

FROM: AMARC/CD

4820 S. Wickenburg Avenue  
Davis-Monthan AFB AZ 85707-4332

SUBJECT: Follow-up Reply to Report of Audit 20994003, Depot Maintenance Service  
Business Operations Area-Fiscal Year 1993 Financial Statements-Review of Facility  
and Equipment Account Balances, Aerospace Maintenance and Regeneration Center  
(AMARC), Davis-Monthan AFB AZ 85707-4332 (Project 93209342)

1. Recommendation 1 (Para 5c(1)). The AMARC capital equipment depreciation list is in the process of being validated. Projected Completion date of 28 February 1994 has been delayed due to the loss of the CPP manager in the Budget Division. (OPEN) (ECD: 30 April 1994)
2. Recommendation 2 (Para 5c(2)). Until action in recommendation 1 has been completed, the net increase in AMARC equipment values, depreciation expense and accumulated depreciation for FY93 cannot be reported to the Accounting Division for adjusting actions to the trial balance. (OPEN) (ECD: 30 April 1994)
3. Recommendation 3 (Para 5c(3)). Written procedures to ensure newly arrived capitalized equipment is loaded into the depreciation schedule is in effect at AMARC. (CLOSED 30 August 1994)

15 SEPTEMBER 1998

RALPH T. SCHONEMAN

Executive Director

cc:

AFFA/AAO

**SAMPLE ONLY**